

Members

Sen. Connie Lawson, Chairperson
Sen. Murray Clark
Sen. Frank Mrvan
Sen. Connie Sipes
Rep. John Day
Rep. John Frenz
Rep. Vaneta Becker
Rep. Cleo Duncan



HEALTH AND CHILD CARE ISSUES EVALUATION COMMITTEE

LSA Staff:

Karen Firestone, Fiscal Analyst for the Committee
Ann Naughton, Attorney for the Committee

Authority: IC-2-5-21-10

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 233-0696 Fax: (317) 232-2554

MEETING MINUTES¹

Meeting Date: September 12, 2002
Meeting Time: 10:30 A.M.
Meeting Place: State House, 200 W. Washington St., 233
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Sen. Connie Lawson, Chairperson; Sen. Frank Mrvan; Sen. Connie Sipes; Rep. John Day; Rep. John Frenz; Rep. Cleo Duncan.

Members Absent: Sen. Murray Clark; Rep. Vaneta Becker.

Call to Order

Senator Connie Lawson called the meeting to order at 10:40 AM. She described the charge to the Committee based on IC 2-5-21 and Legislative Council Resolution 01-09.

Issues Relating to the Child Care Development Fund

A presentation of the Legislative Services Agency (LSA) report, "Issues Relating to the Child Care Development Fund," was made by Karen Firestone, Program Analyst, LSA. (Exhibit 1) She indicated that the LSA report was an informational review of a State Board of Accounts (SBA) audit. The Child Care Development Fund was a federal program, with the Family and Social Services Administration (FSSA) responsible for the funds Indiana received. The FSSA administered the funds through local Step Ahead councils who selected voucher agents. The report detailed the SBA audit of one voucher agent in Marion County, Daybreak Management, Inc. In addition to the SBA findings against Daybreak, the SBA audit critiqued certain FSSA policies and procedures. The presentation concluded with the steps that FSSA had taken or will take to ameliorate the findings of the SBA audit.

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Senator Lawson asked Susan Kilty, Legislative Liaison, FSSA, to make a statement. Kilty reported that the audit division of the FSSA completed audits of 35 other voucher agents and they are on track to audit all voucher agents by December 2002. Kilty indicated that the FSSA was moving to a central office reimbursement system to segregate intake responsibilities from payment. FSSA is currently negotiating with a vendor (known as a central reimbursement office or CRO) for implementation by October 1, 2003. The local family child care office and the Educare consultant from FSSA are now responsible for selection of voucher agents, and they will be available to discuss concerns. In addition, the CRO will maintain an 800 number for provider questions on claims. FSSA does not anticipate any providers will drop out of the program as a result of the transition to a centralized office.

Senator Lawson asked if providers are being reimbursed through a centralized system presently, and Beth Eiler, Deputy Director, Bureau of Child Development, FSSA, answered that the State has taken over the reimbursement function for 36 counties. All counties will be contracted to a central vendor by October 2003. In addition, Eiler indicated that the vendor will provide an electronic claims system by September 2003.

In answer to a committee question, Eiler indicated that separating intake and eligibility with a centralized payment system will improve system monitoring. FSSA will have direct control over the system of payment and will be continuously informed with biweekly reports.

No local Step Ahead councils or community groups wished to speak.

Senator Lawson asked Mike Hoose, Supervisor, State Board of Accounts, to answer questions. Representative John Frenz asked if the new system would be better for audit purposes. Hoose introduced Connie Krieger, who indicated that SBA had not been privy to the models under consideration by the FSSA and would not know the controls incorporated into the system until a final decision is made on a CRO.

Representative Cleo Duncan asked if the State had recouped the money from Daybreak. Jennifer Thuma, Legislative Liaison, Office of the Attorney General (OAG), introduced Chuck Todd, Chief Operating Officer, OAG. Mr. Todd began his discussion indicating that the matter is subject to ongoing litigation, so his comments had to be circumspect. He indicated that the State is pursuing in federal court seven different claims against the owners of Daybreak including RICCO charges. The State's request for prejudgment attachment, garnishment, and conveyance of assets possessed by the owners of Daybreak has been granted and covers \$2.5 million in assets identified by the State. Todd said that he expects the trial to take place in fall or winter of 2003, but there could be appeals. Todd said that any funds recouped would revert to FSSA and that FSSA is requesting treble damages in the suit. In response to a question from Representative Duncan concerning the value of the assets, Todd indicated that the State has identified \$100,000 in cash assets to date.

Representative Frenz asked how long Daybreak was able to misappropriate funds before being discovered. Todd said that from 1997 to 1999, the owners received draws, a contested administrative expense and that in 1999 they changed their compensation level so that they did not receive a draw.

Candice Shelton, community member, asked to address the Committee. Shelton said that the 8% administrative cost allocation was known in the community from the beginning.

Senator Connie Sipes asked if SBA will be part of the process in selecting a vendor for the CRO or if FSSA would contact SBA for ideas of what is needed. Kilty answered that SBA has not been part of the process and that she did not know if that was part of the protocol for the selection process.

Todd was asked if the FSSA or OAG was responsible for the contract. Todd answered that once FSSA has selected a vendor, the contract will go to the Department of Administration, the State Budget Agency, and to the OAG. The OAG will review the contract for form and legality only, not substance. Todd also clarified that the 8% administrative fee allocation was only an allocation and that reimbursement was subject to the contract between the FSSA and the voucher agent. The contract had all federal guidelines incorporated by reference.

Judy Monnier, Coordinator, Marion County Step Ahead Council, said that the group is comfortable with the division of the intake and payment functions, but she would like more public input in the process. In response to a Committee question, she indicated that the centralized system is working in Marion County and that there were no problems with untimely payments. Most problems in the transition to a centralized system had concerned the receipt of notices of change.

Issues Relating to the Health Professions Bureau

Senator Lawson moved onto the next order of business - a report on the Health Professions Bureau.

Firestone provided an overview of an LSA report titled, "Health Profession Licensing: Health Professions Bureau Program Evaluation" (Exhibit 2). The report described the manner in which fees are established, including a discussion of statute and the administrative rules process, use of revenues collected for the operations of the Health Professions Bureau (HPB), and the flow of funds between the State General Fund and the licensing boards.

Senator Lawson recognized Lisa Hayes, Director, HPB, who responded to a Committee question concerning SBA audits. Hayes said that the most recent SBA audit released in the last two weeks did not address separating expenditures by board. Further, she said that the HPB does not operate a cost accounting system, and that certain expenditures could not be separated because there is a single fee for the whole Bureau. Hayes indicated that the HPB contracts with five administrative law judges (ALJ) and that the ALJs provide an efficient way to meet the number of disciplinary actions a health professions board has to hear.

Thuma introduced Allen Pope, Director of Consumer Protection Division, OAG. Pope explained that a complaint against a health professional may originate with a consumer or a health profession licensing board. The OAG investigates the complaint and prosecutes the case before the health profession board. Based on an investigation, the OAG may determine that the case should not be prosecuted, but takes information to the board to make a final decision on the disposition of the complaint. Pope indicated that six attorneys general plus staff work on complaints and, in addition, there is another division that provides advisory counsel to the boards. Senator Frank Mrvan asked if the surplus in funds between the expenditures of HPB and the revenues from license fees that is deposited in the State General Fund support the OAG staff who work with the health professions board. Although the funds are not tracked that way, the excess revenue could be considered support for those positions.

Senator Lawson agreed with a request to submit written comments from Ernie Klein, Jr., Executive Director, Indiana State Nurses Association. Klein said that an increase in fees from \$20 to \$50 last year resulted in an additional \$2 million for the State General Fund.

Hayes indicated that the board discussions of the fee increases were noted in the minutes of the boards. She said that the boards looked at the fees in other states to determine levels that are appropriate for the profession, the costs incurred by the agency, and the possibility of increasing services through augmentation in reaching a decision of the appropriate level for fees. Hayes gave two examples of the how augmentation has been used to increase service. These were the reorganization of the HPB for more efficiency and online registration beginning in October 2002.

Adjournment

Senator Lawson concluded the meeting with comments and observations. She said that the meeting had provided good information gathering and introduction to the issues. She indicated that the Committee could meet for up to two years. She suggested that the Committee members should talk with her to determine if the Committee should meet again before session. The meeting adjourned at 12:05 PM.